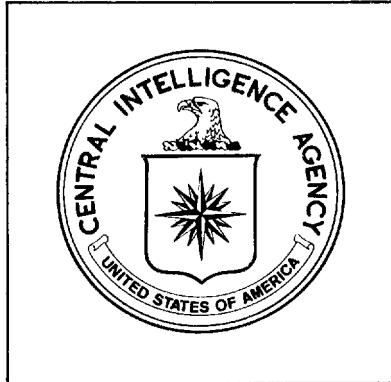


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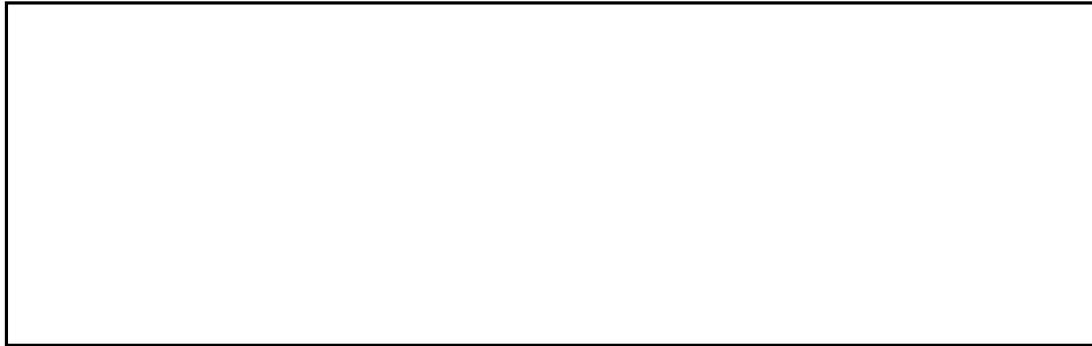
Editor Note: The Latin American Trends will not be published on December 24. Publication will resume on December 31. Merry Christmas!

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Argentina: Combatting the Terrorists

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Nonetheless, guerrilla optimism is by no means unfounded. The Montoneros, for example, have operated virtually at will for a number of years, and the armed forces' highly visible campaign over the past two months does not appear to have reduced the guerrillas' overall capability, despite government claims of success. Indeed, in the past two weeks, the guerrillas have gone on the offensive with another rampage that has included the killing of a retired general, attempts against others, and the kidnaping of yet another Argentine business executive for ransom. The latest activities seem aimed at humiliating the armed forces and provoking harsh counter-measures that will gain them wider public sympathy.

The Montoneros in particular possess a high degree of motivation and discipline, huge financial resources, and good training. But, unlike the other principal extremist group, the Marxist Peoples Revolutionary Army, the Montoneros claim to be the true embodiment of Peronism, an ill-defined set of beliefs whose hold on the Argentine people many fear to challenge. Indeed, many more conventional Peronists still do not consider the Montoneros completely beyond the pale, despite their tactics. As long as this is so, the authorities are unlikely to wage a completely unrestrained campaign

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on all fronts against this, the most significant of the terrorist groups. In the final analysis, the military may remain content to approach the Montoneros on a strictly military basis, attacking their camps and interrupting supply lines, recognizing military inability to blunt the appeal of such groups short of reordering all aspects of national life.

To view the guerrillas as a purely military threat, however, is to ignore and perhaps even enhance the factors that make adherence to the groups attractive. The dissidents draw on the sons and daughters of respectable citizens for support and are well in touch with--and able to play on--the hopes and frustrations of this largely middle-class nation. Many young Argentines see the guerrilla movement as the only way they can personally have a hand in changing a highly corrupt, ineffectual political system.

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For some time to come the armed forces will continue to face a particularly galling dilemma. On the one hand, as security elements, they cannot wholly ignore the presence of violent insurgents. At the same time, however, they seem unable to wage all-out war because of the continuing public sympathy for the guerrillas. Moreover, the military realize that by being repressive enough to rout the guerrillas, they could well engender the widespread popular repudiation that the guerrillas hope to provoke.

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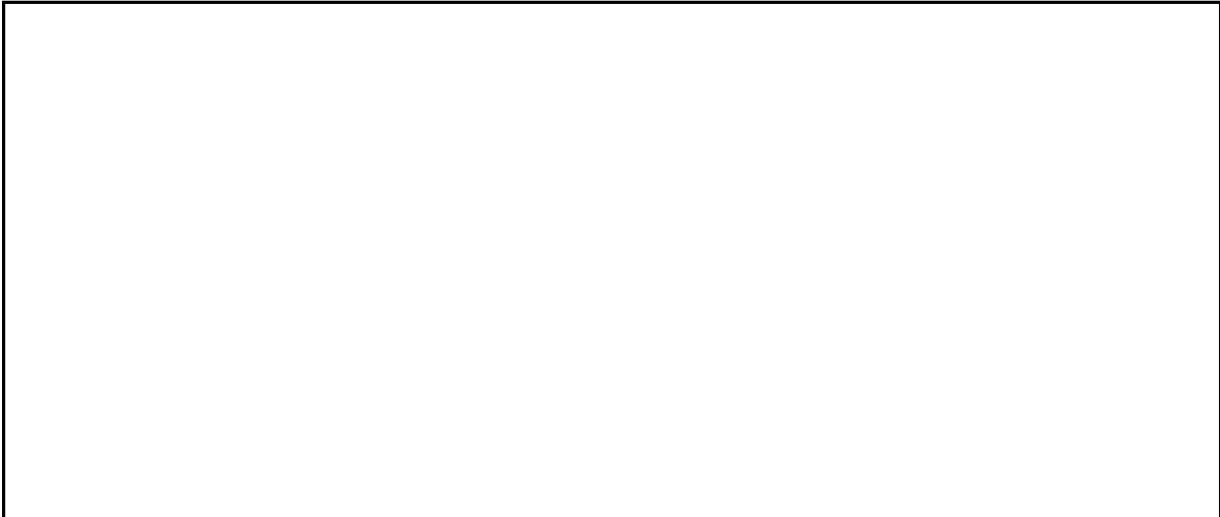
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Bolivia: Business as Usual

President Banzer, as yet unable to demonstrate any positive progress toward his pledged goal of regaining Bolivia's access to the sea, may be attempting to divert public attention by engaging in one of his periodic exercises to give a semblance of activity and progress.

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The government announced with fanfare on December 11 the discovery of an "international conspiracy" and the capture of leftist subversives in Cochabamba who had been plotting the overthrow of the Banzer regime. The subversives, who had planned to carry out strikes, sabotage, and terrorism, were allegedly counting on assistance from organized cells within the mining areas and in various factories.

The Banzer regime has been known to have created fictitious subversive threats in order to shore up public support, but the current group, although small, appears to be a bona fide terrorist organization. However, little evidence has surfaced indicating widespread

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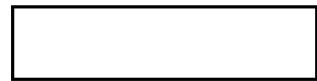
local support or sympathy. The government apparently knew of the group's existence and may have made the arrests some time before announcing them, possibly as a ploy to justify a decrease in the number of political prisoners to be released under the usual Christmas amnesty.

President Banzer has weathered the vicissitudes of four years in office and does not seem disposed to step down at this time. The illusion prevails that progress is being made, but for the most part it is window dressing.

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Brazil: Foreign Policy Angers Military

A number of senior military officers reportedly are upset with Brazil's recent foreign policy decisions to support the anti-Zionist resolution in the UN and to recognize the Soviet-backed Popular Movement as the legitimate government of Angola.

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[REDACTED] the army general staff has rejected explanations by a senior foreign ministry official. The generals appear especially outraged by the diplomatic action on Angola. They apparently were not consulted and argue that the Soviets will probably attempt to establish military bases in Angola and make the South Atlantic a contested region.

Foreign Ministry Silveira so far has not publicly defended the foreign policy actions. He weathered similar attacks last year for recognizing the Peoples Republic of China and for tilting toward the Arabs. We see no sign that Silveira intends to alter his approach to foreign policy, and he apparently still enjoys the confidence of President Geisel.

Silveira's highly nationalistic posture, which often spills over into anti-US positions, has won him credit with the generals and enabled him to get away with actions that otherwise would rankle them. Some of his most controversial policies seem to have been undertaken--at least in part--for the purpose of asserting Brazil's independence in foreign affairs.

The Geisel administration has had its share of reversals this year, and it would suffer a further setback if a majority of the high command lined up against Silveira on a particular policy issue.

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New Challenges for Latin Solidarity

Two recent US initiatives may be interpreted by the strong advocates of Latin unity as "divide and conquer" tactics. Venezuela, Mexico, Peru, and Panama, all careful to monitor situations in other Latin capitals, seem likely to be concerned over the mixed Latin reaction first to US criticism of draft amendments to reform the Organization of American States, and second, to Washington's new list of products covered under the Trade Reform Act's generalized system of preferences.

US displeasure with the results of a three-year effort to modernize the OAS charter has evoked sympathy from some governments and outrage from others. The small countries friendly to the US, such as Uruguay and Costa Rica, value US protection they gain in the inter-American system and want to be as constructive as possible in order to maintain Washington's participation in the OAS. Brazil, Argentina, Colombia, and Chile are all inclined to agree with the US assessment of the poor quality of the reform effort but can anticipate the frustration and impatience that would result if it were dumped. They prefer to use the existing drafts as the basis for negotiating further revision.

Peru and Panama have led the attack on the US position and are assailing Washington's effort to "sabotage" the reform effort. The press in those and other countries has assumed that the US no longer finds the OAS "useful" because of Washington's inability to impose its will on the rest of the hemisphere through the inter-American system. An Ecuadorean diplomat, sounding a theme common throughout much of the region, told US officials that Latin members of the OAS are frustrated by US indifference to Latin America and Washington's resistance to committing itself to acts that would seem responsive to the region's needs.

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Latin governments are also giving close examination to the newly authorized list of products to receive preferential access to the US market. They regard US trade regulations as an important indicator of US sympathy toward their development aspirations. Whether the exclusion of the area's two OPEC members, Venezuela and Ecuador, will stimulate broad regional criticism of US trade policy will probably turn on how beneficial or disappointing the other governments find the list for their own countries. Several have reacted favorably to US assurances that the new list will help their export situation but they intend to scrutinize it carefully and make their independent analysis of what its impact will be.

Venezuela and Ecuador are angry over their continued exclusion from the preference scheme and Ecuador has also criticized the list's inclusion of too few products. Panama has succeeded in putting the trade act on all future agendas of the OAS permanent council until the discriminatory exclusions are ended. One Ecuadorean made the point that Quito complied with the US request for support on Korea in the UN because the issue was labeled of US "vital interest;" but the "reciprocity" Ecuador received a few days later was reaffirmation of its exclusion from the trade preferences.

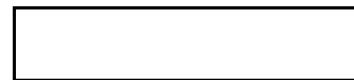
A Bolivian official believes that the Latin nations will probably want to meet in some forum to discuss the product list. It seems likely that Venezuela is making representations throughout the area to garner support for such a session. On the issue of OAS reform, various suggestions of how to handle that problem have been offered by different governments and it seems likely that some special meeting will be designed to address the future of inter-Americanism.



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Venezuela Plans Shift to Petrochemical Exports

In the next few weeks Caracas will formally announce a \$2.4 billion plan to develop an export-oriented petrochemical industry by the mid-1980s. The government hopes to sell petrochemicals in the US and other Western Hemisphere markets, where Venezuela would have a transportation advantage over potential Middle East producers. The long-term world market outlook for petrochemicals is nevertheless uncertain because other OPEC countries also plan to develop similar industries. Realization of all these plans could result in worldwide overcapacity in the 1980s.

The petrochemical sector is to be a priority target for economic development. Caracas is anxious to reduce Venezuela's overwhelming dependence on exports of crude and fuel oil, which account for 87 percent of total export earnings, by expanding exports of higher valued products. In this way Caracas seeks to husband its conventional oil reserves, which will last only about 14 years at current production levels.

To manage the program, the plan calls for establishment of a government-owned holding company similar to Petroven, which was set up to supervise the nationalized petroleum industry. Caracas hopes to set up subsidiary joint ventures with foreign firms to acquire advanced technology and to ensure markets for Venezuelan petrochemical products. Talks are under way with several US and West European firms, and Caracas hopes to announce some agreements by the end of the year.

Caracas faces some difficult hurdles in implementing the plan. Strong leftist opposition to foreign management of government-owned companies could hinder

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the effective organization of the ailing 22-year-old state petrochemical company, which will be the nucleus of the industry. In addition, Caracas will be pinched for funds in coming years as rising imports and near-stagnant oil revenues put its current account balance in the red. Ambitious development plans in other sectors, such as steel, will also make heavy demands on financial resources and Caracas will have to decide whether to borrow abroad or set new priorities for its limited funds.

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Guatemala: Political Assassination

A minuscule leftist terrorist group, known as the Guerrilla Army of the Poor, has claimed credit for killing a right-wing congressman on December 12 together with his bodyguard and chauffeur.

The killing was the first political murder of any prominent person claimed by leftist guerrillas since President Laugerud took office in July 1974. The victim was Jorge Bernal Hernandez, the congressional leader of the National Liberation Movement, part of the governing coalition. Hernandez, a man who had enemies across the entire political spectrum, had a checkered political career that may have directly contributed to his death. He was a left-wing guerrilla himself in the early 1960s. Captured by the army in 1967, he defected from the guerrilla ranks and went on to become former president Arana's personal bodyguard. Arana chose him to run for Congress in 1974. Hernandez was reputed to be Vice President Sandoval's henchman in carrying out acts of government violence in the early 1970s.

Little is known of the Guerrilla Army of the Poor other than that it probably has no more than 15 to 30 members. It may be identical to a group that split away from the Rebel Armed Forces in mid-1973. According to messages it has occasionally sent to newspapers, the group says it is responsible for many kidnapings, attacks, and killings of land-owners and businessmen in the country's interior. In late November its members claimed they had killed 19 military commissioners, civilians authorized by the military to carry weapons and assist in local law enforcement, in the eastern department of Chiquimula, Hernandez' home district. Military commissioners have been notorious for their involvement in political murders.

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The killing will test the Laugerud government's efforts to decrease its own use of violence to eliminate opponents. Since the first of the year political violence by the government and the left has lessened noticeably, but the Hernandez murder could set off a new cycle of terror and counter-terror.

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ANNEXTrinidad and Tobago on the Eve of an Election Year

As political manuevering begins in Trinidad in preparation for elections that are to be held next year, the Latin American Trends offers a synopsis of a recent assessment of the current situation by US Charge Robert Rich.

The Distinctiveness of Trinidad in the Caribbean

Pre-eminently in the English-speaking Caribbean, Trinidad and Tobago today has immediately exploitable resources and economic options. A racially mixed society, it enjoys a remarkable degree of racial harmony and there is no extreme spread of social classes to fuel highly radical politics. Trinidad's own perception of its natural leadership position is only begrudgingly accepted by its CARICOM partners, and then mostly because Trinidad's money is needed. Prime Minister Eric Williams, in many respects the senior politician of the region, no longer commands instant respect from his neighboring colleagues, who are uncomfortable with his automatic assumption of the paternal role and find relationships strained from the personal political clashes of two decades.

Trinidad finds itself in a highly favored position from a developmental standpoint. Only slightly more than two years ago, the economy was drifting toward stagnation. Today, the revenue picture is completely different, with the government anticipating revenue of US \$700 million per year over the next five years. Petroleum wealth gives the country economic options and correspondingly increases the stakes of political power.

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An energy-based industrialization program is in the offing, although heavy unemployment continues to cloud the future.

The Political Establishment

The Peoples National Movement (PNM), under the leadership of Dr. Eric Eustace Williams, has full control of the organs of government and easily has the best organized political machinery in the country. Its grass roots organization and patronage system have dominated the political life of the country for twenty years. In many respects the government is Williams, and the close rein on which he holds most of his cabinet is legendary.

Williams is vulnerable, however. His once powerful charisma is rarely evident at all today. Cyclical periods of retreat and inaction, coupled with unconfirmed reports circulating of more serious medical problems, naturally give his advancing age a less dynamic cast. More important, he seems to have lost contact with the young, and missed the fact that a generation change has quietly been taking place in Trinidad since he came to power in 1956.

The Political Opposition

The disarray and fragmentation of the opposition has been a paramount factor in recent years. The Peoples National Movement (PNM) no longer commands the support of the majority of the electorate, but it will have no great trouble in winning a strong plurality unless a truly remarkable degree of last-minute unity can be achieved among the opposition parties.

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The surprising fact is that almost throughout the serious opposition there is a sense of responsibility and dedication to democratic institutions. None of the parties advocates abolishment of private property or of free elections. Economically the argument is over what kind of mixed economy should evolve.

While almost all opposition political parties are talking unity, at this stage this largely means each is seeking a coalition on its own terms and with itself in the leadership position.

The East Indian voter has traditionally turned to the Democratic Labor Party at election-time as the defender of East Indian rights against what is usually viewed as a Negro-dominated Peoples National Movement. With the East Indian population now generally conceded to have caught up with the Negro population in numerical terms, the Democratic Labor Party constituency is potentially quite powerful. However, no really strong ethnic leader has emerged to galvanize the East Indian voter. Nevertheless, with the knee-jerk vote of many uneducated East Indians, the Democratic Labor Party today is the one essential coalition partner of any opposition party that might win.

The United Political Front has captured considerable imagination among younger Trinidadians, as a possible real inter-racial political coalition. It is the outgrowth of a highly political joint labor struggle in the spring of 1975 involving the largely Negro Oilfield Workers Trade Union under veteran unionist George Weekes, the East Indian sugar workers led by Hindu barrister Basdeo Panday, and the cane farmers under Moslem ex-army lieutenant Raffique Shah. While Basdeo Panday is the obvious intellectual leader of the front, he says he feels the country is not ready for an

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East Indian prime minister. He is confident that the Democratic Action Congress will join in a coalition led by the United Political Front on the understanding that its leader, former Williams associate A.N.R. Robinson, will be the coalition's candidate for prime minister. The achievement of such a coalition will be elusive, but it is being actively pursued and if effected would be the closest to a grand coalition of opposition groups likely to emerge.

In some respects Tapia is the most interesting of the opposition groups, if only because of the intellectual sophistication of its leadership and the dedicated manner in which it actually pursues issues and debates national policy with the government. There is little evidence, however, that Tapia has a sufficiently strong grass roots constituency to hope to form a government on its own. Of all the significant opposition groups, it seems least likely to become a partner in an effective coalition. Perhaps the significant question is whether the Tapia campaign will hurt the Peoples National Movement or other opposition parties the most. I suspect it will tend to divide the opposition vote more than it will draw from the PNM side of the fence.

Prospects and Predictions

Trinidad and Tobago has not really yet had its post-independence shake-out, but this may now be in sight. Williams will almost certainly be returned as prime minister, but it is difficult to envisage him remaining for a full new five-year term. Next year or the year after, he will probably step down. The future alternatives are probably: a) more of the same; b) a coalition government; or c) radical economic nationalism. Of the three, a coalition that would provide some conservative continuity yet capture the impetus to change is the most likely.

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The next five years will be a significant transition period for this country. If government or opposition elements cannot sufficiently capture the hopes of the young electorate in the 1976 election, the future of the democratic institution itself could be threatened. The election of 1976 therefore may say much about whether the end of the decade in Trinidad will exhibit a strengthened political process or radical violence--racial polarization or increasing harmony. The most likely outcome is that Trinidad and Tobago will achieve the positive alternatives.

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